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Sealift

MAGAZINE OF THE MILITARY SEALIFT COMMAND

AUGUST 1976

Diversity of Ideas

Who is more important? A ship master and his chief engineer were arguing that point with no satisfactory conclusion, so they decided to swap jobs. The engineer took over the ship's bridge and the captain entered the engine room. A few hours later the captain appeared on deck covered with oil and soot shouting, "You'll have to get down there. I can't make her go." "Of course you can't," replied the engineer. "She's aground."

Human nature being what it is, we often feel we could solve the other person's problems if we were in his shoes. Fortunately—or unfortunately, depending on the degree of confidence we may have in our own abilities—we seldom have that opportunity. So, unlike the master and engineer, we are limited to offering our suggestions and recommendations.

While some are fond of quoting the limiting advice which suggests that criticism not be offered unless it is constructive, emphasis on a free and continuing dialogue is a strength of our institutions. Ideas are the mortar which tie together our technological skills. A society which both tolerates and encourages free expression of ideas among its members is certain to be strong, for "of, by and for the people" is a concept which works in the business world just as it does in government. Ideas, like truths, grow stronger from their expression.

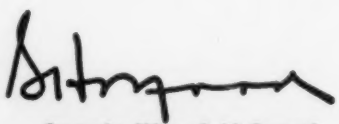
This issue of Sealift presents a diversity of ideas bound to be of interest to members of the MSC and maritime audience, since the authors, like the master and chief engineer, see things from different perspectives.

In one article, James Reynolds, who heads the American Institute of American Shipping, makes a strong case for a modern merchant marine and argues that subsidies provide American taxpayers a reasonable return for their investment in the maritime industry. Allen R. Ferguson, president of the Public Interest Economics Center in Washington, D.C., is critical of maritime subsidies.

In another article in this issue, Joseph A. Austin, vice president of the Missouri Pacific System, expresses his belief that the U.S. transportation system is the best in the world, but adds that "it could be much better, more efficient, financially stronger and less expensive to the shipper . . . and the consumer." He suggests the United States follow Canada's example and establish a system of total transportation companies rather than having separate trucking, rail, air and sea industries which compete ineffectively, and are both subsidized and over-regulated.

A reason for the concern of all three authors with regard to efficiency of the U.S. transportation system is expressed in a fourth article by Linda Quinones, a member of the Sealift staff. She reports on increasing Soviet merchant marine penetration of world markets and the increasing visibility of Soviet ships in U.S. ports. And, while the Soviet Union is increasing its maritime capability, so are other Soviet Bloc nations and Third World powers.

What needs to be done to improve the U.S. transportation system? This issue of Sealift presents several views, some of which may support your own, or which may cause you to change your own opinions. Or you may have an even better idea. If so, this headquarters would be pleased to receive it.



Commander, Military Sealift Command

Southern Railway photo

COVER: The U.S. transportation system works on a basis of competition and profit. Missouri Pacific vice president Joe Austin writes on the total transportation concept. See story on page 7.

Rear Adm. Sam H. Moore
Commander, Military Sealift Command

Larry C. Manning
Legislative and Public Affairs Officer

Louis R. Granger
Public Affairs Officer

Henry L. Balloon
Pamela Martin
Graphics

Russ Egnor
Photo

Linda M. Quinones
Louis Panarale
Contributing Staff

Sealift

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An island of debris and an empty lifeboat are all that's left of the Victory Glee.

USNS Sealift China Sea Goes To The Rescue

By Louis Panarale

It was a quiet Sunday evening, June 6, as the tanker USNS Sealift China Sea headed to Sasebo, Japan from Bahrain, off Saudi Arabia. Then at 5:51 p.m., the ship received an urgent radio message from another vessel.

The message was from the Panamanian flag ship MV Victory Glee, asking all ships in the vicinity to stand by. It was in trouble, taking on water in its number one hold.

China Sea was 125 miles from the Victory Glee and immediately altered its course to head toward the distressed ship. About five hours later, when the China Sea was still 30 miles away, the ship's radio operator received another urgent message: "Will abandon ship."

It was 1:30 in the morning when China Sea Capt. Richard Fryer picked up the Victory Glee on radar, 12 degrees to port and 17 miles away.

"I notified the Victory Glee we would be alongside in one hour," Fryer explained. But the Victory Glee disappeared from the radar scope, an ominous sign that the ship had sunk. Then a distress rocket from a lifeboat was sighted.

It was 3:38 a.m. when the China Sea pulled alongside the lifeboat. In eight minutes 29 Chinese crewmen were safely aboard the China Sea. But two crew members and the chief engineer of the Victory Glee still were missing.

It took another two and a half hours of searching in the night to find the first missing crewman. In another 14 minutes the second of the three missing crewmen was hauled aboard.

The master of the Victory Glee notified the search party that the missing engineer had been last seen in the engine room just before the vessel broke up. Although hopes were fading that the engineer would be found, the search continued for another four hours. At 10 a.m. Captain Fryer gave up the search and headed the China Sea for Colombo, Sri Lanka where the survivors were discharged.

Fryer said, "The entire crew of the China Sea performed in the highest tradition of the sea, working unselfishly in rescuing the crew of the Victory Glee."

Fryer singled out several crew members deserving of special mention: Malcolm J. Triche, chief officer; James T. O'Donnell, radio electronic officer; Robert J. Miller, chief engineer; William S. Caldwell, boatswain; Joseph Capoccia, pumpman; Leroy Dorsey, steward; Jerome F. Dullea, a deck cadet from the U.S. Merchant Marine Academy, Kings Point, N.Y., and Thomas M. Siwarski, an engine cadet from the Marine Engineers Beneficial Assn.

Rear Adm. Sam H. Moore, commander of the Military Sealift Command, sent a message of commendation to Fryer and the China Sea crew, noting that the rescue "was accomplished with professionalism and in the highest tradition of those who go to sea."

The China Sea is under bareboat charter to the Military Sealift Command and is operated for the command by Marine Transport Lines, New York City. The 25,000-deadweight-ton tanker was constructed in 1974 under MSC's build and charter program.

Built in Japan in 1958, the 458-foot-long Victory Glee was formerly the Fides Friendship and originally the Mishima Maru. According to Lloyd's Register of Shipping, Victory Glee left Kobe, Japan April 15 for Khorramshahr, Iran on the Persian Gulf. ⚓

Wartime MSC Offices Close

By Linda M. Quinones

An overall view of MSC Sattahip port area in 1970.

The Military Sealift Command unit at Kaohsiung, Taiwan and the MSC office at Sattahip, Thailand have been closed due to reduced cargo requirements following the withdrawal of U.S. troops from Thailand.

Located on the southwest coast of Taiwan, the port of Kaohsiung was an important logistics staging site for the support of allied forces in South Vietnam.

Since the Vietnam War ended, however, there has been a significant decline in military cargo moving through Kaohsiung and on March 31 the unit was disestablished. Under administrative control of the MSC Office, Taipei, the Kaohsiung unit was manned by one officer and several foreign nationals.

From 1966, when the unit was established, until the end of the Vietnam War, MSC controlled LSTs shuttled between Kaohsiung and Southeast Asia delivering cement to support the war effort.

Kaohsiung also was used as a major receiving center for military vehicles being delivered to Taiwan by MSC ships. The port also served as a vital logistics and repair facility for MSC controlled ships operating in the Far East.

In fiscal year 1971, nearly 310,500 measurement tons of inbound cargo moved through ports in Taiwan with

more than 289,900 tons moving outbound. By fiscal year 1975, only 130,600 inbound tons and 114,565 outbound tons passed through Taiwan ports.

The peak year was 1968, at the height of the Vietnam War, when 226,100 long tons of petroleum were discharged at Taiwan ports. Last year the figure dropped to 19,254 tons.

MSC's office in Thailand closed this July, affecting two officers and four enlisted men. Located at Sattahip on the Gulf of Thailand, the office was established in June 1971, although MSC has had representatives there since the late 1960s. Much of the cargo that moved through Thailand was ammunition to be used for air strikes in South Vietnam or for transshipment to Cambodia. Stockpiled in Thailand, most of the Cambodian cargo was transported by barge up the Mekong River to Phnom Penh.

In March, movement of the retrograde cargo, which consisted mostly of vehicles and ammunition, began as the United States started withdrawing military personnel from Thailand. At the end of May less than 3,000 U.S. military personnel remained there.

More than 100,000 tons of general and special cargo and 45,000 tons of ammunition were moved out of Thailand between March and July of this year. It will be redistributed in the United States and Korea, Japan and other Western Pacific destinations.

Inbound cargo for Sattahip remained fairly constant at slightly more than 1 million measurement tons from fiscal year 1971 through 1973. By fiscal 1974, however, cargo tonnage dropped by nearly one half as the United States began to end its commitment in South Vietnam and Cambodia.

Lt. Cmdr. Robert L. Bowers of the Thailand office will become assistant to the director of the naval control of shipping division at MSC headquarters this summer. At press time, other personnel had not been reassigned. ⚓

Lt. Cmdr. Richard Parrish, head of the Taipei office, presents an MSC plaque to "MSC SAM" Kuo Chen Huan. At left is Lt (j.g.) Jason Yang, officer in charge of the Kaohsiung MSC unit.

Longshoremen move bombs from MSC ship at Sattahip.

At Provo, Utah in 1869 the Union Pacific and Central Pacific link the nation's first trans-continental railroad.

Union Pacific photo

By Sea, Land and Air

MoPac's Transportation Concept

By Joseph A. Austin

The United States has the best freight transportation system in the world. But it could be much better—more efficient, financially stronger and less expensive to the shipper, and ultimately, the consumer.

It is a transportation system that works relatively well even though it is bogged down by artificially erected barriers that block maximum productivity. The U.S. transportation system works because, unlike transportation in virtually all other industrial nations, it is based upon the principles of private ownership, the profit incentive and competition.

Historically, our transportation system developed randomly, responding to new transportation technology and to the socio-economic evolution. Rail, motor carrier and air modes did not exist in 1776 or, with the exception of rail, in 1876. No serious attempt was made to develop a cohesive transportation policy which would utilize the strong points of each mode most effectively.

Instead, an uneven, patchwork system of regulation and taxpayer subsidy developed over the years. A trio of regulatory agencies, working separately, came into existence. Some modes, such as rail and air, are fully regulated while others are only partially regulated. Some modes can charge shippers whatever the traffic will bear while others, including rail, publish their freight rates and must accept all traffic.

Taxpayer subsidies for the modes vary from practically nothing for rail to virtually full support for barges. In recent months, the railroads received some benefits as a result of the Railroad Reorganization and Revitalization Act. The money provided under this act is not a subsidy but rather a loan which will have to be repaid.

So our transportation policy is one that in the name of preserving competition among the modes, actually performs a disservice by perpetuating inefficiency. It is a policy that puts privately supported modes on an unfair and unequal competitive footing with taxpayer supported modes.

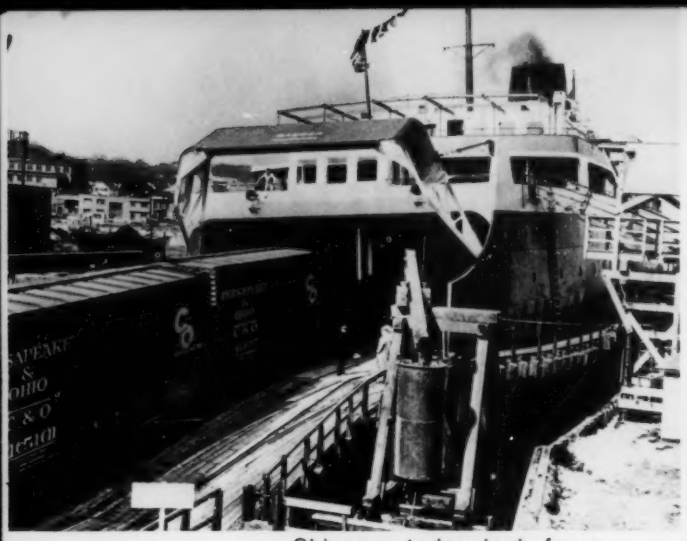
So long as this situation continues, so long as each separate mode fights for its "advantages," whether inherent or created, there can be no significant progress in improving the national transportation system as a whole.

Periodically, reform proposals are advanced by knowledgeable persons in the carrier industry, in the government and in the academic field. Although all have their merits, virtually all are predicated on cooperation among existing modes that would continue to operate separately.

Instead of separate industries, trucking, railroad, airline and barge, why can we not simply have an industry called Transportation? After all, that is the essential purpose of each mode of transit.

In fact, why not carry that line of thinking still another step and establish a system of total transportation companies to correct the errors of years past while maintaining those principles that have provided the nation with efficient freight service—private ownership, the profit motive and competition.

At Missouri Pacific, or MoPac, we have not only espoused the total transportation concept as a philosophy, but have done all possible under present regula-



Shippers today look for a combination of services to fill transportation needs.

Containers and truck trailers move through Illinois on a MoPac piggyback train.

tions to make it a reality. MoPac is one of the nation's largest, most successful railroads. But it also has two large trucking subsidiaries and an air-freight forwarding subsidiary. As a result, MoPac can offer a shipper any combination of 17 distribution services.

The precedent for the total transportation company already exists to the north of us where both the Canadian National and Canadian Pacific operate multi-modal, total transportation companies.

A total transportation company might be defined as a multi-modal operation under a single management capable of offering single or multi-modal transportation on a single bill of lading.

This would not be a monopoly system or even a semi-monopoly such as the telephone system. There might be a dozen, 20 or 30 large total transportation companies. Each would include a transcontinental rail system, airlines, regional trucking and water operations. Areas of operation would overlap to insure competition and a choice of companies to the shipper. A need would still exist for small trucking firms to perform local services. Nor would such a system preclude use of private or cooperative transportation facilities.

The benefits of the total transportation company system would be enormous, so great as to defy casual calculation.

Duplicated physical facilities would be eliminated and replaced by large, ultra-modern intermodal terminals. In Kansas City, for example, each railroad serving the area has its own yard or yards. Some are small and antiquated. Others are modern but still not operating at capacity. Small, inefficient truck terminals are scattered throughout the city. In the early stages, the best of the existing rail and truck facilities would be utilized with the unneeded facilities being razed.

Eventually, the best of the present facilities would be eliminated and replaced by super terminals located at outlying points around the city. The concept is basically similar to that of the large, central airports now utilized by the airlines.

Many duplicated overhead jobs could be gradually phased out through attrition. As it now stands, each company maintains a separate sales force, a separate accounting and billing force and numerous staff positions. It is a significant expense factor which contributes to higher transportation costs. Total transportation companies would continue to require a substantial work force made up of high-quality personnel earning attractive salaries in return for increased productivity. But there would not be the duplication of effort that now exists.

The total transportation company would utilize the best points of each type of transportation while eliminating the inefficient features. For example, trucking generally is superior for local and short-range freight service up to about 300 miles. Rail is more economical and competitive in speed for long-haul overland transit while barge offers economy for moves from one water point to another.

Rail-barge combined service would be more economical than today's usual pattern of combined barge-truck service. Air freight offers many advantages to shippers of small, comparatively expensive items.

Society as a whole would also benefit. Vast amounts of land now used for transportation facilities could be recycled for other uses such as parks, industrial sites or for housing.

A principal benefit to the shipper would be the ability to obtain all forms of freight transportation from any one of the total transportation companies serving his area. Furthermore, he would get whatever combination of services necessary to fit his distribution needs.

The shipper would have fewer transportation companies to deal with, fewer shipping documents to handle,

a simplified pricing system and easier handling of claims.

Total transportation companies would have far greater potential to develop a broad revenue base which would enable them to purchase whatever physical equipment might be needed as well as to build the most efficient facilities possible. As a result, the unit cost of transportation could be lowered, resulting in lower freight rates to the shipper and, ultimately, lower prices to the consumer.

By operating under a single management, the total transportation company would be able to establish closely coordinated schedules among the different modes. Today, a great deal of transit time is lost because of delays in interchanging of freight between railroads and between trucklines.

The present regulatory system could be simplified. Instead of three agencies, sometimes working at cross purposes, there could be a single agency to regulate rates and to safeguard against unfair competition among the total transportation companies.

Until recent years, true intermodalism was blocked by the lack of a vehicle that would permit interchange of freight between different modes of transportation. That situation no longer exists. Today's container is the one transportation tool equally at home on the chassis of a truck, in the hold of a ship, on a railroad flatcar, or in a large airplane. Containers used in air cargo service now include standard 20 and 40-foot marine units—which the bigger air freighters can carry—and the smaller specialized air cargo containers that also can be moved by truck and probably could be carried by rail as well.

The first major step toward full development of intermodalism was the piggybacking of highway trailers on railroad flatcars. Piggyback has been enormously successful because it gives the shipper the flexibility of trucking at both the origin and destination with long-haul rail economy in between. To a degree, highway trailers also are carried aboard ocean vessels.

But the blossoming of containerization in the 1960s really sparked the full development of intermodal operations. It was not a new idea. Missouri Pacific and the old New York Central Railroad pioneered the concept in 1928. The Interstate Commerce Commission, however, after listening to vigorous protests from many other quarters of the transportation and distribution industry, required such radical changes in the application that the new service was not practical or economical. But MoPac kept experimenting with containers on its own lines, using small containers to carry fresh produce from the Texas Rio Grande Valley and to carry merchandise shipments around its lines.

In the 1950s, MoPac again made a major bid to establish a modern container service similar in all respects to what now exists. The attempt proved successful online. However, the lack of compatability, interface problems at junctions and lack of chassis ownership by connecting carriers forced MoPac to concentrate its efforts instead on the more popular piggyback service.

MoPac trucking subsidiaries play a key role in providing transportation services.

When the steamship lines initiated the latest surge in containerization as a way of reducing high operating costs, the Missouri Pacific was quick to capitalize on its boxed-shipping experience. It has been a U.S. leader in containerization ever since. A step taken in the 1950s, erection of gantry cranes at 17 key cities in the railroad's mid-America territory, proved to be a major aid in MoPac's re-entry into containerization.

More recently, the Missouri Pacific has progressed in several areas of containerization. Among its moves:

* Lining up container interchange agreements with dozens of steamship lines and other container owners.

* Becoming a lessor of those sometimes hard-to-find container chassis at major container centers such as New Orleans, Houston, Dallas-Fort Worth, Little Rock, Memphis, St. Louis, Kansas City and Chicago.

* Creating a subsidiary company, Missouri Pacific Intermodal Freight Transport, which allows MoPac to handle all phases of ocean freight service except the actual operation of the vessel.

* Devising a series of plans for shipping containers—containerpak—which outline the various container services available in much the same way that the various piggyback plans do for trailer-on-flat-car movements.

Fifty of these 24-foot MoPac containers are in service, moving via rail and ocean vessels.

* Opening an office in Tokyo, Japan, to maintain close contact with the active Far Eastern market.

* Setting up container stuffing and stripping services.

For the past two years MoPac has been handling less-than-container-load (LCL) freight as an extension of its small shipments services. In the performance of LCL and of other MoPac intermodal services, the railroad's two wholly-owned trucking subsidiaries play key roles.

Container freight stations are operated by MoPac truck-lines at Gulf Coast ports with the largest being at Houston and New Orleans. The truck-lines perform container stuffing and stripping operations and also lease chassis when the containers move over the highway or as trailers-on-flat-car.

Missouri Pacific's container freight stations receive and break out containerized import cargo, stuff containers and deliver less-than-container-load freight for mini-bridge movement. They also pick up, consolidate and load LCL for mini-bridge shipment, receive import mini-bridge LCL, break it out by destination, segregate for customs clearance, and deliver it with MoPac trucks.

At New Orleans—and at Houston, Corpus Christi, Beaumont, Lake Charles, Galveston, Brownsville and Baton Rouge—Missouri Pacific Intermodal Transport, Inc., has contracts with steamship lines through which MoPac Intermodal acts as a husbanding agent for mini-bridge traffic. Under these contracts, MoPac supervises container interchanges, handles interchange paperwork, provides container cleaning, storage and inspection and leases chassis for over-the-road container moves.

The number of containers handled by the Missouri Pacific has grown more than 500 per cent since 1970, including gains in mini-bridge and land-bridge. MoPac takes part in mini-bridge moves to and from North Atlantic ports—Boston, New York area ports, Philadelphia, Wilmington, Baltimore, Newport News, Norfolk and Portsmouth—and South Atlantic ports—Charleston, Savannah, Jacksonville, Miami, Tampa, Panama City and Pensacola as well as to and from Gulf ports.

To date, MoPac's most productive mini-bridge corridors are the West Coast-Gulf Coast move and to and from Japan and the Far East. Principal West Coast ports are Los Angeles, Long Beach, Oakland, San Francisco and Seattle.

Continent-hopping bridge routings, combining water-rail or water-rail-water movements of containerized freight between port cities, are proving increasingly popular with shippers who pay no more for transit times that are five to seven days faster between West Coast and Gulf and Atlantic ports than all-water routes through the Panama Canal.

With mini-bridge, containers are unloaded from the ship at Los Angles, for example, and are transported by railroad flatcar to Houston—all at a water rate—and then are moved by the railroad to a St. Louis destination at rail rates. In addition, all the advantages of containerization over breakbulk shipping—faster, reduced handling and lower handling charges, better cargo protection and reduced transportation and marine insurance rates—apply on joint water-rail bridge moves as they do on all-ocean routings.

Mini-bridge shippers also find that the transit time they gain means their investment in goods is not tied up as long and they enjoy greater flexibility both in ordering their materials and in marketing their products. Inventory levels often can be reduced and goods are available to end users more quickly.

For bridge routings and other MoPac container movements, the railroad's intermodal service and equipment control department expedites and controls movement of trailers and containers and trailer and container cars. In addition, global shippers have access to Missouri Pacific international shipping expertise through both offline and online MoPac international sales representatives who are specifically trained to handle shipping arrangements for containerized and other cargo moving in world trade.

World trade's relatively rapid adoption of containerization has not been matched in the United States for transportation of domestic freight due partly to government prohibitions of common ownership of transport modes and because of fierce competition between the various privately-owned forms of transport.

While not all commodities lend themselves to containerization—such as grain, coal, iron ore and similar bulk products—a great number of manufactured commodities and food stuffs are easily containerized. Containers are being used daily to transport difficult-to-

containerize products—chickens, livestock, soy sauce, malt, bowling alleys and bowling balls, alcoholic beverages, and other bulk products. As a result, a substantial portion of America's freight could be carried in containers by a number of combined intermodal services.

Container technology now is only in its early stages. Far-sighted planners have already developed some imaginative ideas for container utilization. Examples include: an overhead conveyor for containers in factories where assembly workers pull incoming parts and components from the container as it passes their work position; subway systems that would carry passengers by day and containerized freight by night, and high-rise buildings like elevator-fed parking garages where containers could be stored, reducing use of land.

As containerization develops and expands, interest in true intermodal development also has been becoming more intense and support for the concept appears to be growing. American University, for example, sponsored five workshops on the subject between 1964-69, which brought together a wide variety of transportation people.

A leading traffic magazine recently polled its readers and found 92 per cent of the respondents favoring creation of intermodal transportation companies and a like number indicating that they did not believe such a system would stifle competition. The U.S. Department of Transportation also has periodically supported the intermodal concept.

Transportation law is generally interpreted to prohibit creation of a true total transportation company. But existing laws have been interpreted to permit more freedom of entry by one mode into other areas of transportation. The entry of the Missouri Pacific, Southern Pacific and Burlington Northern railroads into air-freight forwarding is one example. There is no law or body of laws that can not be changed if the change is in the public interest.

It has been said that a major barrier to creation of the total transportation company is psychological. Largely it is a matter of removing the blinders that channelize thinking along the narrow path of forever separate modes of transportation and directing our thinking instead toward the far broader range of the total transportation company.

The total transportation system is an idea which could become reality. Multi-modal ownership in transportation is a form of organization ideally suited to foster development of an efficient, fully-coordinated transportation system. But as former U.S. Secretary of Transportation Allan S. Boyd once observed, intermodal coordination should be initiated, not by government, but by shippers and carriers. When shall we begin? ⚓

Joseph A. Austin is vice president of traffic for the Missouri Pacific System. His career with Missouri Pacific began in 1938 as an agent-telegrapher and he advanced rapidly through the ranks of dispatcher, trainmaster and division superintendent.

He then served as assistant chief personnel officer before being named general superintendent of transportation in 1958, a top operating post.

Austin's experience broadened more when he was elected vice president of the railroad's Gulf district at Houston in 1965 where he held both traffic and operating responsibilities. Returning to St. Louis in 1967 as assistant vice president of traffic, he was elected vice president in 1968.

He has completed the advanced management course at Harvard University and is a member of numerous transportation groups. In 1975 he was general chairman of the Traffic Clubs International convention at St. Louis.

In 1776 Thomas Paine suggested subsidies for ships in proportion to the loss of bulk for carrying 20 to 50 guns.

Subsidies
Are They Worth It?

By Allen R. Ferguson

Two hundred years ago Thomas Paine asked, "In point of safety, ought we to be without a fleet? Some method might be fallen on to keep up a naval force in time of peace, if we should not judge it necessary to support a constant navy."

And with that, Paine suggested the first Operating Differential Subsidies (ODS)—premiums to be paid to ships and operators in proportion to the loss of bulk for carrying ". . . 20, 30, 40, or 50 guns."

Although Paine's specific suggestions were never followed, the second and third acts of the first Congress did provide indirect subsidies to the American merchant marine in the hopes of encouraging a U.S.-flag fleet. The Merchant Marine Act of 1936 again restated the objectives of merchant marine policy.

In 1976, the world is quite different from both 1776 and 1936. The key questions with regard to operating subsidies are: 1. Are the objectives of the Merchant Marine Act still valid? 2. Is the expenditure of some $403 million to be paid in fiscal year 1977 to 24 shipping companies to maintain about 9,000 sea-going berths on 235 ships the best way to meet those objectives?

In my opinion, the answer to both questions is no. The subsidy does not make the United States more competitive with foreign rivals. It leads to economic inefficiency, imposes a tax burden on the public, does little to increase jobs, exerts inflationary pressures on the economy, and provides no military advantage in a national emergency.

I will discuss those two questions first in terms of development of foreign and domestic commerce and then with regard to national defense.

The ODS is budgeted to cost American taxpayers $403 million in fiscal 1977, up from $243 million in 1975. It is reasonable to hope, in the interest of developing foreign and domestic commerce, that expenditures of such magnitude would provide—or contribute to providing—American commerce with low cost and efficient ocean transportation, ship operators with incentives for innovation in the interest of American commerce, or that it would provide a substantial

number of jobs at reasonable cost. The ODS fails on all of those counts.

First, the ODS provides the American economy with three ton-miles of ocean freight service for the price of four. In the year ended Dec. 31, 1973, some $216 million was paid in ODS as part of a total terminated voyage expense of $910 million. In other words, had the American economy used the same amount of service at foreign costs the total bill would have come to approximately three-fourths of what the shippers and the taxpayers together paid in 1973.

One might expect, as it was once argued, that the ODS would serve to reduce rates to American shippers as a consequence of the taxpayers burden. That never has worked out. The policy of the United States has been to support the ocean freight rate conferences system. Whatever other merits of such a policy might be, it has the effect of denying to American traders the benefit in the form of reduced rates that might derive from the ODS. Thus the subsidy has not in any direct way served to make international commerce of the United States more competitive with foreign rivals.

The next question is, has it provided incentives to efficiency and innovation? By paying the subsidy on a cost-by-cost and market-by-market comparison of American flag operator's expense with that of his foreign rivals, the subsidy does not provide incentives for innovation, or for efficient use of existing technology. The ODS presents American operators with private costs of labor, for example, that equal, as nearly as practical, the labor costs of his foreign rivals. Hence, he has little, if any, more motive for economizing on high cost American labor than a foreign operator has for economizing on low-cost foreign labor.

The theory of the inducements to inefficiency inherent in this form of subsidy has been in the public record for a long time. Major innovation in ocean transport has taken place outside the services supported by the ODS. ODS is the product of many years of trial and error trying to establish a viable merchant marine program. Though it has been durable (a characteristic of most government spending programs), there seems to be no evidence that it has had any such effect. We have had, since the era of wooden ships, as an area of comparative disadvantage, a non-competitive maritime industry.

In 1955, Malcom McLean innovatively founded Sea-Land Service, Inc. During the last 20 years that company has had a remarkable record of success in building a viable merchant service without subsidy. Sea-Land pioneered the container ship revolution, the greatest innovation in general cargo shipping of the century, and perhaps since the coming of the steel steamship.

Sea-Land owns and operates eight SL-7s, one of the largest and fastest dry-cargo ships in the world, ships which they purchased from foreign shipyards since they were unable to have them built at competitive prices in the United States. The fact that there is no lack of innovative competence in related American industry is demonstrated by the development and production of deep-sea drilling rigs and construction platforms, a highly innovative water-borne instrument. America leads in their production, without direct subsidization.

The subsidy leads to economic inefficiency in a broader way. It induces the employment of American resources in the ocean trades, where we have a comparative disadvantage, and, in doing so diverts resources from more productive areas.

The final general economic consideration is whether this inefficiency and tax burden is still a good investment because of the jobs it generates? There is no simple way of determining how many jobs are dependent on the subsidy. Obviously there are managerial and other shore-side employees of the steamship operators who appear to benefit from the subsidy. However, their skills are seldom peculiar to ocean shipping and, to the extent that they are, many of those people could, in the absence of the American ODS retain employment with efficient American, unsubsidized firms or, as American employees of foreign operators.

The subsidy is clearly doing little to increase jobs. In fact, the trend is toward reduced manning requirements while wages and the subsidy go up. In FY 1976 there were approximately 9,000 sea-going berths in subsidized

American ship operators receive subsidies to make labor cost competitive with foreign manned ships.

Sea-Land's eight SL–7 container ships are among the largest and fastest ships in the world and were built without benefit of subsidies.

service. The ODS cost some $346 million, or $38,000 per berth. In 1971, ODS payments amounted to $197,531,000 while providing roughly 10,000 sea-board berths while in FY 1976, $346,171,000 was paid to support 9,000 sea-going berths. In five years there has been a 100 per cent increase in the cost to the taxpayer per job from $19,000 to $38,000. It should be noted that each seagoing berth produces employment for two people.

By virtue of the fact that the ODS constitutes a governmental expenditure, and one which provides a service that would be available without subsidy, it is a program that exerts inflationary pressure in the economy.

A specific and troublesome example of the inflationary pressures is the extra burden of $30 million paid out simply to assure that American bottoms were used in grain shipments to Russia. This increased the cost of that transaction to the American consumer and taxpayer while saving the Russians the necessity of providing all their own transportation.

Second, we are in a period when there is great dissatisfaction with big government and concern as to whether the government is not more interested in advancing special interests rather than those of the people as a whole. The ODS is the kind of program that suggests that there may be some validity to those charges.

Finally, in peacetime the trades of the United States could be well handled in other than U.S.-flag ships. We have a strong and viable merchant fleet without benefit of the ODS. No less than 52 U.S. parent companies control 706 ships of over 1,000 gross tons, 508 of which are tankers, the second largest tanker fleet in the world, 12 ships behind Japan, 53 ahead of Soviet Russia. The well-being of these companies is at least in part based on an economically sound United States. Given some need for a modern fleet under U.S. control, buying bottoms from the shipyard which are more efficient than American ones would be more economical. If it is important to show the flag, would it not make sense to consider change through legislation in procedures for obtaining a U.S.-flag by any ship that meets Coast Guard specifications at any time?

The question of the suitability of ODS in terms of military needs falls out into two broad sub-questions: How well does the program provide the right number and kinds of ships? Does it do what it does efficiently?

Of the 235 ships currently in the subsidized fleet, then Acting Assistant Secretary of Defense for Installations and Logistics Dr. John J. Bennett, stated on June 5, 1975: "Except for LASH and Seabee barge carriers and roll-on, roll-off vessels in active commercial employment, (nine barges, four roll-on, roll-off) all we have left in the nature of totally flexible and available vessels are the aged 130-odd vessels of the National Defense Reserve Fleet and 35 post-World War II Challenger or Mariner class conventional general cargo vessels." This totals 175 vessels available, by Dr. Bennett's testimony, as opposed to the SPAN study's (Sealift Procurement and National Security), a scenario published in a multi-agency report on Aug. 2, 1972, estimated need for 637 dry cargo ships during the first 90 days of a two-theater war in 1976.

The program is not designed to meet any direct military needs, for the ODS program has tended to favor operations of transferring cargoes betwen large well equipped ports. In Dr. Bennett's words, ". . .we (Department of Defense) are concerned towards inflexibility and its impact on direct military use." Most of the tankers have limited direct military value, as do the container ships and the new LNGs.

Many of the containerized vessels can not be much use since they lack self-contained cargo handling ability. Bennett added that, "The ports that can accommodate these vessels are limited to economically advanced trading nations, and even then possess a degree of vulnerability. . .Conversely, contingency response capability dictates that we be able to put cargo ashore under the primitive conditions, including over open beaches." Dr. Bennett concluded his statement by saying that Defense "would look to a renewed National Defense Reserve Fleet, and possibly a small in-house capability, for availability of the most versatile conventional (breakbulk) cargo vessel."

One problem with sealift procurement often overlooked in Defense planning is the disruptive effect of a

call-up. At a time when trade would need to be expanding, ships would be pulled off commercial services, creating disruptive and adverse effect in established trade channels. Unless ships that would be needed for direct combat support activity are under purview of the Department of Defense and not committed to regular or essential trade routes or services, the effective military reserve capability of the merchant fleet is less than it appears to be. Ships not needed for direct combat support need not necessarily be U.S.-flag ships to perform the function they would be required to perform in wartime. If one considers the 508 tankers and 86 freighters of the American-owned foreign flag fleet, U.S. merchant shipping is substantial indeed.

The basic fact is that any major non-nuclear war would require a great expansion in ocean cargo movements. Diverting ships from commercial service has an element of robbing Peter to pay Paul, and planning to do so embodies an element of false economy. To have a reserve capability one needs a reserve! Eliminating the ODS and spending perhaps $100 million or so extra (one quarter of the ODS) on a better NDRF might be a far better way to provide an effective military reserve, while carrying on our peacetime commerce in a sensible manner.

In FY 1976 there were some 9,000 sea-going berths on ships in subsidized service, costing about $346 million.

There are three specific questions which also should be considered, the modern suitability of the essential trade route concept, subsidization of operators competing with nonsubsidized U.S. operators, and alternatives to operating subsidies.

The concept of essential trade routes seems plausible enough when one first hears of it since there are routes on which a larger volume of U.S. trade moves than others. One might argue that some commodities moving on particular routes are more important than those on other routes. However, the way the operating differential subsidy functions with regard to essential trade routes does not in fact contribute to achieving, in the most economical manner possible, the purposes of the Act.

Obviously, to provide for the development of domestic and foreign commerce requires stimulating the most efficient carriage of goods in the American trades that is practical. In the modern dynamic international economy, demands for cargo space in American international trade vary continuously between markets. On occasion, they vary rather substantially.

In order to carry that cargo efficiently operators must be able to move capacity quickly from market to market, that is, from route to route. The typical ocean-going vessel is a remarkably flexible piece of capital equipment, yet the practice of tying the ODS to operation on particular routes provides no incentive for exploiting that flexibility in the interest of handling American and international commerce at minimum cost. To the contrary, it encourages inefficiency by keeping ships tied to particular routes even when demand increases elsewhere.

The effect of the essential route concept is to keep subsidized operators out of competitive trades. The logic of the situation dictates that subsidized operators must operate with more idle capacity—unused cargo space—than would otherwise be the case.

It has been argued that only by requiring the operators to serve particular routes can U.S. commerce be assured of carriage on all routes deemed to be essential. That is, of course, patently absurd with regard to the major, heavily-trafficked routes. The only routes that can be seriously effected by the essential trade route restrictions are a small fraction of the total routes on which traffic is fairly light. Hence, as a minimum, tying the operating differential subsidy to individual routes should be eliminated in all but a small number of minor markets. Even in those cases carriers, in addition to those specifically authorized to serve the routes in question, should not be penalized, that is, should not lose their subsidies on voyages operated in those markets.

There are still some relatively free-enterprise-type operators in the American trades—the non-subsidized carriers. Wherever they carry a substantial portion of the trade in a particular market, it seems patently inappropriate to subsidize their American-flag rivals.

Many of the ships the nation must rely on during an emergency are aged vessels now in the reserve fleet.

Indeed the principle should probably be extended to eliminating subsidies wherever American-owned ships operate without explicit subsidy.

There is no way, without careful analysis of the economics, the institutional characteristics and the technological context, in which one can make very specific recommendations for alternatives to the operating differential subsidy.

One alternative that appears to be superior to the present policy is simply to discontinue the operating differential subsidy and to provide the necessary military reserve by upgrading and expanding the NDRF. In that way we would get more reserve per taxpayer dollar.

The second alternative is an administrative step—putting the budget for any support of the merchant marine into the Defense budget so that it can be sensibly balanced against other Defense expenditures. Third, since abolition of the ODS is probably politically impossible no matter how wasteful the present program, alternative forms of subsidy should be considered.

As already stated, the present subsidies provide incentives for technological inefficiency. So long as the concept of the differential subsidy persists, such wasteful distortion appears to be inevitable. The obvious alternative is to change the subsidy mechanism to some kind of competitive bidding where, after some determination is made as to the amount of carriage in American bottoms that is believed to be desirable, operators could bid for subsidies to provide that service. The operator who offers to provide that amount of carriage at the lowest subsidy cost, and in accordance with whatever operating, manning, safety and other constraints are deemed appropriate, would be awarded the subsidy.

Allen R. Ferguson is president of the Public Interest Economics Center in Washington, D.C.

After serving as a B-17 pilot in Europe in World War II, he attended Harvard University and received a Ph.D. in economics. He then became a faculty member at the University of Virginia.

Dr. Ferguson also has served as deputy head of the logistics department at the Rand Corp., and director of research at the Northwestern University transportation center. In the early 1960s, he was coordinator for international aviation for the State Department and later was director of policy research at the Planning Research Corp.

The Public Interest Economics Center is a not-for-profit corporation whose major purpose is to facilitate the involvement of professional economists in public policy activities as a means of serving the public interest.

A Strong U.S. Merchant Marine

Needed 200 years ago, and still needed today

By James J. Reynolds

Radical changes in shipping have occurred since the era of Clipper ships.

Where would we be today—as a nation—without an American merchant marine?

Critics scoff—who needs it? But, they are in the minority. Those who are informed on the subject—responsible administration, congressional, executive department representatives and, yes, very importantly—the American foreign trader—will tell you how it is.

Without a strong and versatile U.S. Merchant Marine serving our commerce and available for national defense in today's explosive world, we would be tampering with our general welfare, risking serious injury to our economy and facing the distinct possibility of a national crisis or defeat in the event of a major conflict with a belligerent foreign power.

It is time to take stock of how critically important our merchant marine really is. What better time to put in proper perspective its essentiality to the nation than as in this bicentennial year?

Our forefathers set the stage for an ocean-going transportation system while shaping policy for an infant nation 200 years ago. From an economic viewpoint, George Washington told the first Congress the nation must "provide encouragement to our own navigation as will render our commerce and agriculture less dependent on foreign bottoms." That statement is as vitally true today as when made by President Washington two centuries ago.

From a defense viewpoint, Thomas Jefferson told the House of Representatives: "As a branch of industry, our navigation is valuable, but as a resource of defense, essential." Three major armed conflicts in recent years in which our nation was engaged far across the seas bear witness to Jefferson's wisdom and foresight.

These words have been reaffirmed in a variety of ways by many presidents and other policy makers down through the years—all with apparently one thought in mind, a readily available merchant marine under the American flag and manned by citizen officers and seamen must exist to serve the nation around the clock in both times of peace and of conflict.

There have been radical changes in shipping. We can view with pride America's great contributions to ocean shipping from the days of clipper ships, the swift black-ball packets, the steam-driven Savannah of 1819 revolutionizing shipping, and today's fantastic push-button behemoths—such as container and roll-on roll-off vessels and LASH and Seabee barge carriers which have given this nation world leadership in intermodal ocean transportation and worldwide cargo liner trade.

Few Americans appear to know that our current cargo liner fleet is second to none in the world. We

Longshoremen drive Army vehicles off roll-on, roll-off ship Mormacsea, since renamed Defiance.

began to see it modernize and strengthen under the 1936 Merchant Marine Act. Today, it has developed into a highly diversified and competitive fleet under the 1970 Merchant Marine Act's government assistance program which is directed at rebuilding the U.S. bulk cargo fleet as well.

The 1970 Act actually refines a tradition of support for the U.S. maritime industry as old as the country itself. Its opening statement of policy, which emphatically states the nation must have a viable shipping capability for commerce and defense, received strong support recently from President Ford, who said publicly: "I give you my word that we will have a vital merchant marine in the future, and in the White House I will do as I did in the Congress, work for that objective for our national security."

National security, as it relates to our merchant marine, must be viewed in much broader terms today than in the past. National security requires both the ability to defend the nation in a military sense and also the capacity to maintain a strong and vital economy against attack from those who would destroy it.

U.S. interests in a war demand a sealift capacity to position and support military forces with necessary equipment and supplies. However, the nations role as the leader of the free world and indeed its very ability to survive is not based on military power alone, but is anchored in the basic economic strength and vitality of the nation.

National security, therefore, requires both an ability to sustain the U.S. domestic economy and the maintenance of a flow of commerce between the United States and the free world nations as well.

In peace, the U.S. Merchant Marine contributes significantly to that national security. It minimizes the economic and political pressures that the nation and its private commerce would be subjected to if it were strictly dependent on foreign nations' shipping services.

Indeed, if American businessmen in foreign trade were at the mercy of foreign shipping, with no U.S. fleet to stabilize rates, they might well be ultimately priced out of world markets. The results would be that the United State's $200 billion annual import-export trade would be facing a perilous slowdown, to the detriment of the nation's economic strength.

I pose the question again: Where would we be today without an American merchant marine?

First, let's look at the defense contributions. No other nation in modern history has had to count as heavily on its shipping fleet in time of war as has the United States. Some 5,600 U.S. merchant ships provided the logistical lifeline of this nation and its allies which assured victory in World War II. Without them that struggle would have been tragically prolonged and the ultimate victory won at a far greater cost in lives and suffering than it was.

The turmoil had hardly settled from that war when U.S. ships were called on to move 95 per cent of the military equipment and supplies during the 1950–53 Korean War.

The alarm bell again sounded in the 1960s and U.S. merchant ships were called to arms to haul 110 million tons and more than 95 per cent of the cargo to Vietnam in a jet age war that lasted into the early 70s.

For the last four decades, then, the American merchant marine has performed valiantly and, with little let up, in a series of wars and related national emergencies.

Who can forget the mercy mission role of our merchant marine in the spring of 1975 when MSC controlled cargo ships sealifted to safety 179,050 Vietnamese refugees? One American-flag cargo ship, the SS Pioneer Contender, carried 16,600 refugees from Cam Ranh Bay to Phu Quoc Island in the largest evacuation operation by one vessel in U.S. history.

As to the merchant marine's present-day importance to the military, Dr. John J. Bennett, acting assistant secretary of defense for installations and logistics, said when he testified in 1975 before the Congress:

"I can not overemphasize that the Department of Defense supports and needs a viable U.S.-flag merchant marine in peace and war. History books are full of references to the direct role played by U.S.-flag merchant vessels in support of American forces overseas in time of war. In a major war, Defense would be almost entirely reliant on civilian shipping assets. In peacetime, the need is no less great, where the vast preponderance of our Defense cargo moves in U.S.-flag vessels, much of it in berth line service, side- by-side with the freight of U.S. commerce."

A 500-ship U.S.-flag ocean fleet in being, plus 80 ships now being built in U.S. yards at a $4.3 billion cost, will give Uncle Sam the most versatile and

effective logistical weapon in U.S. history. It will consist of fast, efficient, quick turn-around ocean-going barge carriers; roll-on roll-off vessels; container ships; small, medium and super-type tankers; ore-bulk-oil carriers, and liquefied natural gas carriers, representing about 20 million tons of highly automated shipping—contributing to the economic life of the nation and all promptly available if called upon.

They will carry three to six times the cargo of the older, conventional ships and replace roughly 1,200 to 1,500 conventional World War II type vessels.

When you consider its collective economic benefits, shipping contributions are sizeable. Unlike many industries, the merchant fleet has a unique role in contributing to the economy in areas of an improved international trade surplus and balance of payments. The fleet is, in effect, a ubiquitous "traveling salesman" in world circling trade. As part of its business, in addition to carrying cargoes, the fleet through a worldwide structure of company officials and agents acts as a good-will ambassador for American manufacturers and the products they sell in the countries whose 400 major ports they serve.

Through its overseas agents, the fleet has opened up scores of lucrative markets for American exporters whose sales abroad contribute to a more sound dollar and to the overall welfare of the nation. This, along with the cargo promotion program of the National Maritime Council comprised of outstanding representatives of U.S. labor, management and government, has helped the U.S. cargo liner fleet carry an increasingly larger amount of U.S. foreign trade and has convinced more and more shippers that "It Pays to Ship American."

Today, U.S.-flag shipping contributes well over $1 billion to the U.S. balance of payments. Not only is this among the largest contributions made by a single industry, but it is obvious that this substantial figure will increase with the predicted additional cargo carriage of U.S.-flag carriers as technically advanced ships now under construction enter service. The more cargo U.S. ships carry, of course, the larger their contribution to this important aspect of the economy.

If there were no ocean common carriers available to insure American shippers of reasonable freight rates, the U.S. economy would be at the mercy of international inflationary forces far more damaging than those which exist.

As an employer, U.S. shipping companies provide employment for 55,000 seagoing Americans. An additional 16,000 are employed ashore backing up these operations. Ships presently contracted for under the 1970 Act will result in 200,000 man-years of direct shipyard employment. This last item is of particular benefit since many U.S. shipyards are located in areas of chronically high unemployment.

U.S. shipping lines and shipyards annually pay hundreds of millions of dollars in wages and generate significant amounts of Federal and local taxes either directly or through widespread purchase of domestic goods and services.

It should be apparent to any objective viewer of the industry, that the U.S. maritime program, as it relates to the economy, shows a return of benefits in billions of dollars—substantially offsetting government subsidies

Container ships such as the Matson Lines' Hawaiian Monarch are giving the nation leadership in intermodal ocean transportation.

Seabee barge carrier Doctor Lykes is part of the diversified U.S. cargo liner fleet.

paid to certain shipping lines and shipyards to offset much lower foreign ship operating and shipbuilding costs.

A common misconception about ship operating subsidies should be cleared up. They do not guarantee the operator a profit, they simply help equalize the disparity in U.S.-foreign ship operating costs in respect to wages of officers and crews. And there are some very important strings attached. U.S.-flag companies, in return for ship operating subsidy payments, agree to replace their fleets periodically to keep pace with maritime technological developments and provide the modern ocean transportation capability essential to the United States in peace and war.

Additionally, if an operator's ships are in the liner trades he must agree to provide regular scheduled services on assigned trade routes that fan out from our ocean coasts and cover virtually every major market around the world—all to the advantage of the American foreign trader.

When considering U.S. shipping subsidies, a little publicized fact should be made clear. More than 100 nations have merchant fleets on the high seas today and most of their combined 22,000-plus vessels are in service because the companies operating them receive some form of substantial financial assistance from their respective governments.

To bring this into sharper focus, a study commissioned by the Maritime Administration and made public early in 1975, reveals that seven leading foreign maritime nations, including the United Kingdom, Japan and France, extend direct and indirect subsidies to their shipping and shipbuilding industries aggregating over $2 billion.

The agency has also published its own in-house prepared report on the relationship of governments to their private merchant marines in 50 maritime nations and found that, almost without exception, their cargo fleets and shipyards receive yearly many millions of dollars in government financial aid. Measured as a percentage of their respective GNP, that aid usually is considerably greater than that received by U.S. companies.

In a rational appraisal of the whole picture—meaning the economic-defense value of the American Merchant Marine to the nation—it would seem that U.S. taxpayers are getting more than a reasonable return in contributions to national security for every dollar of public funds expended.

It was true 200 years ago. It is no less so today that for the economic and political vitality of our nation, the United States must maintain an efficient and competitive merchant fleet operating under the Stars and Stripes. ⚓

Former Under Secretary of Labor James J. Reynolds now is president of the American Institute of Merchant Shipping (AIMS).

A Brooklyn native and a Columbia University graduate, Reynolds has had a career in finance as a member of the New York Stock Exchange and in industry as vice president of the United States Pipe and Foundry Co. and the American Locomotive Co.

Reynolds held the Navy rank of commander during World War II and in 1947 was appointed by President Harry Truman as a member of the National Labor Relations Board. In 1961 he was named assistant secretary of labor by President John F. Kennedy and was appointed under secretary of labor by President Lyndon B. Johnson in January 1967, a position he filled with distinction until January 20, 1969.

As AIMS president, Reynolds is a key spokesman of an association which was organized in January 1969 through the merger of three steamship trade associations. AIMS is comprised of 34 companies operating more than 400 tankers and subsidized and non-subsidized dry cargo ships in the foreign, coastal and intercoastal trades. These vessels represent about two-thirds of all active privately-owned ships registered under the U.S. flag and aggregate more than eight million deadweight tons.

Port of Baltimore Bulletin

Polish Ocean Line's container-breakbulk ship MV Roman Pazinski provides weekly service to Baltimore

The Russians Are ~~Coming~~ Here

By Linda M. Quinones

Merchant vessels of Communist Bloc nations are becoming more familiar sights in United States ports. During the last 30 years, the Soviet merchant fleet moved from 23rd to 6th place in number of merchant ships with 2,404 ocean-going vessels as of December 1975. Liberia is number one with 2,546 merchant ships flying her flag. The United States is tenth with 580 merchant ships.

In September 1975, Business Week magazine reported, "In the past year Soviet merchant ships have moved in strongly to tap U.S. foreign cargoes, especially those moving from the West Coast to Japan, but also to some extent those on North Atlantic and Gulf Coast routes."

A typical example of Soviet flag penetration of U.S. trade routes is the record of the state owned Far East Shipping Co. (FESCO) in the California and Pacific Northwest services. In 1969, a single FESCO ship entered a U.S. West Coast port but in 1973 five container ships and eight freighters made 137 voyages.

One U.S. East Coast port, Baltimore, has ships of Poland, the Soviet Union and Yugoslavia calling with increased frequency. The shipping lines that provide service to Baltimore are: Yugoslav Line, the Soviet's Baltic Shipping Co. and the Black Sea Shipping Co., and Polish Ocean Lines. All plan to expand their liner service.

Baltic Shipping Co. has six container ships and two roll-on, roll-of vessels which regularly call at Baltimore. The container ships MV Polessk, Dekabrisk, Palekh, Walter Ulbricht, Primorsk, and Warnemunde and roll-on, roll-off vessels MV Skulptor Konekov and Skulptor

Vuchetich serve Baltimore, Bremen and Hamburg, Germany and Rotterdam, Netherlands on weekly service. Bill Shipley of Norton, Lilly & Co., agents for Baltic, said the line plans to put even more roll-on, roll-off vessels in service.

The Skulptor Konekov docked at Baltimore's Dundalk Marine Terminal early this year to load cargo on its maiden eastbound voyage. The 595-foot, roll-on, roll-off, lift-on, lift-off ship has a service speed of 20 ½ knots. Loaded on board Konekov at Baltimore were tractors, trailers, cranes, machine parts and tools.

Black Sea Shipping Co., Mediterranean-Atlantic Line, another Soviet shipping company represented by Norton, Lilly, links Baltimore and ports in Italy and the Soviet Union. MV Salvador Allende, Ivan Masalenko, Yakov Bondarenko and Mikhial Svetlow now provide bi-weekly service to Baltimore but the line plans to offer weekly service in the future.

Another Communist Bloc company which has liner service to U.S. ports is Polish Ocean Lines which offers weekly semi-container ship service to Baltimore, New York and Wilmington, N.C. from Antwerp, Belgium; Bremerhaven, Germany; Gdynia, Poland, Hamburg and Rotterdam. The five ships that regularly call at Baltimore are MS Mieczyslaw Kalinowski, Gen. Stanislaw Poplawski, Francis Zek Zubrzycki, Bronislaw Lachowicz and Roman Pazinski. The Francis Zek Zubrzycki is the oldest of the ships—built only three years ago.

Present service will be expanded according to Rita Manfuso, vice president-secretary of Stockard Shipping and Terminal Corp., general agents for the company since 1951. "In the next few years, Polish Ocean Lines hopes to begin providing full container ship service to these ports as well as offering roll-on, roll-off service," she said.

Polish Ocean Lines also operates a breakbulk service that occasionally sends ships into Baltimore. Other ports of call for the Line's breakbulk ships are Boston, New York, Philadelphia, Wilmington, N.C.; Savannah, Ga.; Jacksonville, Fla. and Brunswick, Ga.

Yugoslav Line offers bi-weekly service between Baltimore and ports in Egypt, Algeria, Morocco, Tunisia, Spain, Italy and Yugoslavia. The six ships involved are MV Zvir, Klek, Visevica, Tuhobic, Castav and Kraljevica. All less than 10 years old, the conventional cargo vessels each have accommodations for 60 passengers. They also call at New York and Norfolk, and occasionally, Houston, Beaumont, New Orleans, Mobile and Savannah. Yugoslav Line has been serving Baltimore for 30 years, according to Gary Brokos, manager of the Baltimore division of Crossocean Shipping Co., Inc., agents for the line since March 1975. Brokos said the line will begin providing container ship service by 1977.

In addition to merchant vessels, passenger liners of Communist Bloc nations are serving U.S. ports with growing frequency.

From January through April this year, the Soviet passenger liner MS Mikhail Lermontov sailed out of Baltimore for LeHavre, London, Bremerhaven and Leningrad. In 1972, when Lermontov visited New York, she was the first Soviet passenger liner to put into an American port since 1948 when service between New York and Odessa was suspended.

Baltic Shipping Co., owner of the vessel, has taken the ship out of the Baltimore service for economic reasons. "Although the Lermontov did well," said Frank Stubbs, reservation manager for March Shipping, Passenger Services of New York, Baltic's agent, "it did not do as well as expected."

Baltic still operates another 500-passenger liner. The Odessa, which sails from New York in the Bermuda service, went into operation last December. In December 1976, the Kazakhstan, another Soviet liner with accommodations for 500 passengers, will go into Caribbean service, operating out of New Orleans. The Odessa also will begin cruises

Port of Baltimore Bulletin

Soviet roll-on, roll-off ship Skulptor Konekov loads cargo at Baltimore. Konekov is owned by Baltic Shipping Co. which provides weekly service to Baltimore.

In 1972 the passenger liner MS Mikhail Lermontov was the first Soviet passenger ship to put into an America port since 1948.

in December from New Orleans to Mexico and Honduras.

Another Communist country with a growing merchant marine is the Peoples Republic of China. A recent study by Irwon Milliard Hine, an economist and shipping expert who retired from the U.S. Maritime Administration in 1970 as its chief of international affairs, said China had quadrupled its shipping tonnage in the past 10 years, one of the highest rates of increase of any merchant fleet. The analysis, appearing in the March-April 1976 U.S.–China Business Review, a bimonthly publication of the National Council for U.S.–China trade, said the basic outline of the Communist nation's present maritime industry didn't emerge until 1961. It then had some 150 ocean-going vessels of more than 1,000 gross tons, totaling 760,000 tons. Since then, especially in the years since 1970, the growth has been steady. By mid-1975, China had about 370 ships or nearly four million tons, an increase of 147 per cent in the number of ships and a 426 per cent gain in tonnage.

Thus, the pattern has been set. Since World War II, U.S. seapower has declined despite the introduction of new barge carriers, container ships and other highly productive merchant vessels. The Soviet Union now surpasses the United States in numbers of merchant ships, has a globally ranging fishing fleet, and is playing an ever-enlarging role in the carriage of ocean trade—a fact that increases their potential to influence nations their ships serve.

At the same time, the Soviet Navy has achieved near comparability with the U.S. Navy and threatens U.S. supremacy on the seas. That, obviously, will have considerable impact upon U.S. policy decisions and actions in periods of international instability.

While the Soviet Navy and merchant marine are the greatest military and economic threats to U.S. dominance as a world seapower, many Third World nations also are rapidly developing their own fleets, often state-owned, which are competing vigorously for ocean-going trade.

To help the privately-owned U.S. Merchant Marine, several attempts have been made to enact cargo preference legislation that would reserve much of U.S. trade for U.S.-flag ships. And, it is certain that the status of the U.S. Merchant Marine will be debated during the 1976 election compaigns since both the Democratic and Republican platform committees have given an attentive ear to industry witnesses.

Democratic presidential candidate Jimmy Carter already has endorsed a far-reaching maritime program which includes cargo preference legislation and the Republican platform committee has been urged to adopt a plank calling for a clearly defined and vigorously implemented maritime program. Maritime union and management officials have suggested appointment of a presidential maritime advisor, a reaffirmation of the Shipping Act of 1970 which called for building of 300 new merchant ships, and legislation that would assure U.S. carriers of a substantial share of U.S. waterborne commerce.

While no action can be expected in the current session of Congress which is nearing an end, it is highly probable that both political parties will pay much more than lip service to programs directed at restoring the competitive ability of the merchant marine which is facing a rapidly increasing maritime threat from both Communist Bloc and Third World nations. ⚓

One of the largest and fastest container ships afloat is depicted in this print of the SS Sea-Land McLean being presented to Rear Adm. Sam H. Moore, commander of Military Sealift Command, by Carl R. Breining, Jr., director of government relations for Sea-Land Service, Inc. The print now hangs at MSC headquarters in Washington, D.C. Sea-Land McLean was built in 1972 and is a 33-knot, 947-foot-long vessel that carries some Defense Department cargo between the U.S. East and West Coasts to the Far East.

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